

**CERTIFIED**

NOV 18 1985

Form Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under section 501(c)(7) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit corporation laws of the State of [REDACTED].

Your purposes as stated in your Articles of Incorporation are to provide for maintenance, preservation and architectural control of the residence lots and common areas within certain tracts of land owned by it in [REDACTED], a subdivision in [REDACTED] County, [REDACTED], and to promote the health, safety and welfare of the residents within such tracts owned by it. The Association also exercises all of the powers and privileges and to perform all of the duties and obligations of the Association, as set forth in that certain Declaration of Covenants, Conditions and Restrictions, hereinafter called the "Declaration", applicable to the property and recorded in the office of the Register of Deeds, [REDACTED] County, [REDACTED]. You also state in your Bylaws Article II, Section 1, that "Association" shall mean and refer to [REDACTED] its successors and assigns. In Section 3 of the same Article you state that "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

Form 1024 and subsequent correspondence indicates the following:

- 1) Residential and common areas will be maintained by the care of all grounds. (i.e. lawn service, tree removal and snow removal.)
- 2) Lots are sold by [REDACTED]
- 3) [REDACTED] owns (1) one lot and is also the Treasurer of the Association.
- 4) The organization does not maintain or repair any public property or

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[REDACTED]	[REDACTED]	[REDACTED]				
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	11/1/85	11/18/85	11/18/85				

- 5) Maintenance fees are \$[REDACTED] per lot owner.
- 6) Only [REDACTED] families live in [REDACTED], however there is a potential of [REDACTED] families.
- 7) [REDACTED] maintain all common areas and lawns of individual owners for the total care of all property including asphalt roads.

Section 501(c)(7) of the Code provides for exemption from Federal Income Tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments.

Revenue Ruling 75-494, 1975-2 C.B. 214 provides that a club providing social and recreational facilities, whose membership is limited to homeowners of a housing development, will be precluded from qualifying for exemption by owning and maintaining residential streets, enforcing restrictive covenants, or providing residential, fire and police protection and trash collection service.

We have also carefully considered your application for recognition of exemption from Federal income tax under Section 501(c)(4) and concluded that you do not qualify.

Rev. Rul. 74-17, 1974-1 C.B. 130 provides that an organization formed by the unit owners of a condominium housing project to provide for the management, maintenance and care of all the common areas of the project, as defined by State statute, with memberships assessments paid by the unit owners does not qualify for exemption under Sec. 501(c)(4), 1.501(c)(4)-1.

Since you are organized, in part, to acquire, manage and develop improved and unimproved lands, to perform the functions of a homeowners' association, also to perform the functions of an architectural committee enforcing restrictions, conditions and covenants, as well as to furnish, maintain and regulate common facilities and services for the benefit of the residents within the jurisdiction of [REDACTED], it is apparent that you are not organized exclusively for the purpose specified in Section 501(c)(7) and therefore you are not organized in a manner entitling you to exemption under that section of the Code.

Accordingly, we hold that you are not entitled to exemption from Federal Income Tax as an organization described in section 501(c)(7) of the Code. Accordingly, you are required to file Federal income tax returns on Form 1120.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you agree with this determination please sign and return the enclosed Form 6018.

Sincerely,

  
District Director

Enclosures: Publication 892  
Form 6018